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05-18-2004



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U.S. DEPARTMENT OF COMMERCE
U.S. Patent and Trademark Office

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):
APPLAUSE, LLC

- ☐ Individual(s) ☐ Association
☐ General Partnership ☐ Limited Partnership
☐ Corporation-State
☒ Other LIMITED LIABILITY COMPANY

Additional name(s) of conveying party(ies) attached? ☐ Yes ☒ No

3. Nature of conveyance:

- ☐ Assignment ☐ Merger
☒ Security Agreement ☐ Change of Name
☐ Other

Execution Date: 02/13/2004

2. Name and address of receiving party(ies)

Name: WELLS FARGO BUSINESS CREDIT, INC.

Internal

Address:

Street Address: 245 S. LOS ROBLES AVE. STE 700

City: PASADENA State: CA Zip: 91101

- ☐ Individual(s) citizenship
☐ Association
☐ General Partnership
☐ Limited Partnership
☒ Corporation-State MINNESOTA
☐ Other

If assignee is not domiciled in the United States, a domestic representative designation is attached: ☐ Yes ☒ No
(Designations must be a separate document from assignment)
Additional name(s) & address(es) attached? ☐ Yes ☒ No

4. Application number(s) or registration number(s):

A. Trademark Application No.(s) SEE EXHIBIT A
TO ATTACHED DOCUMENT

B. Trademark Registration No.(s) SEE EXHIBIT A
TO ATTACHED DOCUMENT

Additional number(s) attached ☒ Yes ☐ No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: MARK GLANCEY

Internal Address:

Street Address: MAYER BROWN ROWE & MAW LLP
350 S. GRAND AVE., 25TH FLOOR

City: LOS ANGELES State: CA Zip: 90071-1503

6. Total number of applications and registrations involved: 12

7. Total fee (37 CFR 3.41) \$ 315

- ☒ Enclosed
☐ Authorized to be charged to deposit account

8. Deposit account number:

DO NOT USE THIS SPACE

9. Signature.

MARK J. GLANCEY

Name of Person Signing

Signature

MAY 7, 2004

Date

Total number of pages including cover sheet, attachments, and document: 9

05/17/2004 MGETACHE 00000100 76535128

01 FC:0521
02 FC:0522

40.00 OP
275.00 OP

Mail documents to be recorded with required cover sheet information to:
Commissioner of Patent & Trademarks, Box Assignments
Washington, D.C. 20231



05-10-2004

TRADEMARK

U.S. Patent & TMO/TM Mail Rpt Dt. #72

REEL: 002967 FRAME: 0856

**COLLATERAL ASSIGNMENT OF TRADEMARKS
(SECURITY AGREEMENT)**

COLLATERAL ASSIGNMENT OF TRADEMARKS (SECURITY AGREEMENT)
(this "Agreement"), dated February 13, 2004, between APPLAUSE, LLC, a Delaware limited liability company with offices at 6041 Variel Avenue, California 91367 ("Pledgor"), and WELLS FARGO BUSINESS CREDIT, INC., a Minnesota corporation, with an office at 245 South Los Robles Avenue, Suite 700, Pasadena, California 91101 ("Pledgee").

W I T N E S S E T H:

WHEREAS, Pledgee and Pledgor have entered into that certain Credit and Security Agreement dated the date hereof (together with all agreements entered into in connection therewith, the "Loan Documents"), pursuant to which Pledgee has made and may in the future, in its discretion, make certain loans and advances and extend credit to Pledgor, subject to the terms and provisions of the Loan Documents;

WHEREAS, Pledgor owns all right, title, and interest in and to, among other things, certain trademarks and tradenames, including, without limitation, the United States trademarks, trademark registrations, and the trademark applications set forth on Exhibit A hereto (collectively, the "Trademarks"); and

WHEREAS, in order to secure Pledgor's Obligations (as defined in the Loan Documents) to Pledgee, Pledgor has agreed to grant to Pledgee a security interest in the Trademarks and the goodwill and certain other assets with respect to the Trademarks, as further set forth herein, and Pledgee has requested Pledgor to enter into this Agreement to evidence such security interest.

NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS, that for valuable consideration received and to be received, as security for the full payment and performance of Pledgor's Obligations, and to induce Pledgee to make loans and advances to Pledgor, Pledgor hereby grants to Pledgee a security interest in:

- (a) the Trademarks;
- (b) all registrations of the Trademarks in any State of the United States and any foreign countries and localities;
- (c) all tradenames, trademarks and trademark registrations hereafter adopted or acquired and used, including, but not limited to, those which are based upon or derived from the Trademarks or any variations thereof (the "Future Trademarks");
- (d) all extensions, renewals, and continuations of the Trademarks and Future Trademarks and the registrations referred to in clause (b) above;
- (e) all rights to sue for past, present and future infringements of the Trademarks and Future Trademarks;

(f) all packaging, labeling, trade names, service marks, logos, and trade dress including or containing the Trademarks and Future Trademarks, or a representation thereof, or any variation thereof;

(g) all licenses and other agreements under which Pledgor is licensor, and all fees, rents, royalties, proceeds or monies thereunder, relating to the Trademarks and Future Trademarks and the use thereof; and

(h) all goodwill of Pledgor's business connected with, symbolized by or in any way related to the items set forth in clauses (a) through (g) above.

All of the foregoing items set forth in clauses (a) through (h) are hereinafter referred to collectively as the "Collateral."

AND Pledgor hereby covenants with Pledgee as follows:

1. Pledgor's Obligations. Pledgor agrees that, notwithstanding this Agreement, it will perform and discharge and remain liable for all its covenants, duties, and obligations arising in connection with the Collateral and any licenses and agreements related thereto. Pledgee shall have no obligation or liability in connection with the Collateral or any licenses or agreements relating thereto by reason of this Agreement or any payment received by Pledgee relating to the Collateral, nor shall Pledgee be required to perform any covenant, duty, or obligation of Pledgor arising in connection with the Collateral or any license or agreement related thereto or to take any other action regarding the Collateral or any such licenses or agreement.

2. Representations and Warranties. Pledgor represents and warrants to Pledgee that:

(a) Pledgor is the owner of the Collateral, and no adverse claims have been made with respect to its title to or the validity of the Collateral;

(b) the Trademarks are the only trademarks, trademark registrations, trademark applications and trade names in which Pledgor has any or all right, title and interest;

(c) none of the Collateral is subject to any mortgage, pledge, lien, security interest, lease, charge, encumbrance or license (by Pledgor as licensor), except for Pledgee's interests granted hereunder; and

(d) when this Agreement is filed in the United States Patent and Trademark Office (the "Trademark Office") and the Pledgee has taken the other actions contemplated in this Agreement and by the Loan Documents, this Agreement will create a legal and valid perfected and continuing lien on and security interest in the Collateral in favor of Pledgee, enforceable against Pledgor and all third parties, subject to no other mortgage, lien, charge, encumbrance, or security or other interest.

3. Covenants. Pledgor will maintain the Collateral, defend the Collateral against the claims of all persons, and will maintain and renew all registrations of the Collateral; provided, however, that Pledgor will not be required to maintain any Collateral which no longer has any

economic value. Pledgor will maintain the same standards of quality (which Pledgee has reviewed) for the goods and services in connection with which the Trademarks are used as Pledgor maintained for such goods and services prior to entering into this Agreement. Pledgee shall have the right to enter upon Pledgor's premises at all reasonable times to monitor such quality standards. Without limiting the generality of the foregoing, and so long as any Trademark or Future Trademark has economic value, Pledgor shall not permit the expiration, termination or abandonment of such Trademark or Future Trademark without the prior written consent of Pledgee. If, before the Obligations have been satisfied in full and the Loan Documents have been terminated, Pledgor shall obtain rights to or be licensed to use any new trademark, or become entitled to the benefit of any trademark application or trademark registration, the provisions of Section 1 hereof shall automatically apply thereto and Pledgor shall give Pledgee prompt notice thereof in writing.

4. Use Prior to Default. Effective until Pledgee's exercise of its rights and remedies upon an Event of Default under and as defined in the Loan Documents (an "Event of Default"), Pledgor shall be entitled to use the Collateral in the ordinary course of its business, subject to the terms and covenants of the Loan Documents and this Agreement.

5. Remedies Upon Default. Whenever any Event of Default shall occur and be continuing, Pledgee shall have all the rights and remedies granted to it in such event by the Loan Documents, which rights and remedies are specifically incorporated herein by reference and made a part hereof, and any and all rights and remedies of law available to Pledgee. Pledgee in such event may collect directly any payments due to Pledgor in respect of the Collateral and may sell, license, lease, assign, or otherwise dispose of the Collateral in the manner set forth in the Loan Documents. Pledgor agrees that, in the event of any disposition of the Collateral upon and during the continuance of any such Event of Default, it will duly execute, acknowledge, and deliver all documents necessary or advisable to record title to the Collateral in any transferee or transferees thereof, including, without limitation, valid, recordable assignments of the Trademarks or Future Trademarks. In the event Pledgor fails or refuses to execute and deliver such documents, Pledgor hereby irrevocably appoints Pledgee as its attorney-in-fact, with power of substitution, to execute, deliver, and record any such documents on Pledgor's behalf. Notwithstanding any provision hereof to the contrary, during the continuance of an Event of Default, Pledgor may sell any merchandise or services bearing the Trademarks and Future Trademarks in the ordinary course of its business and in a manner consistent with its past practices, until it receives written notice from Pledgee to the contrary. The preceding sentence shall not limit any right or remedy granted to Pledgee with respect to Pledgor's inventory under the Loan Documents or any other agreement now or hereinafter in effect.

6. Cumulative Remedies. The rights and remedies provided herein are cumulative and not exclusive of any other rights or remedies provided by law. The rights and remedies provided herein are intended to be in addition to and not in substitution of the rights and remedies provided by the Loan Documents or any other agreement or instrument delivered in connection therewith.

7. Amendments and Waivers. This Agreement may not be modified, supplemented, or amended, or any of its provisions waived except in a writing signed by Pledgor and Pledgee.

Pledgor hereby authorizes Pledgee to modify this Agreement by amending Exhibit A hereto to include any Future Trademarks.

8. Waiver of Rights. No course of dealing between the parties to this Agreement or any failure or delay on the part of any such party in exercising any rights or remedies hereunder shall operate as a waiver of any rights and remedies of such party or any other party, and no single or partial exercise of any rights or remedies by one party hereunder shall operate as a waiver or preclude the exercise of any other rights and remedies of such party or any other party. No waiver by Pledgee of any breach or default by Pledgor shall be deemed a waiver of any other previous breach or default or of any breach or default occurring thereafter.

9. Assignment. The provisions of this Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto; provided, however, that no interest herein or in or to the Collateral may be assigned by Pledgor without the prior written consent of Pledgee; and, provided further, that Pledgee may assign the rights and benefits hereof to any party acquiring any interest in the Obligations or any part thereof.

10. Future Acts. Until the Obligations shall have been paid in full, Pledgor shall have the duty to make applications on material unregistered but registrable as trademarks in any location where Pledgor does business, to prosecute such applications diligently, and to preserve and maintain all rights in the Trademarks and the other Collateral. Any expenses incurred in connection with such applications and other actions shall be borne by Pledgor. Pledgor shall not abandon any right to file a trademark application or registration for any trademark, or abandon any such pending trademark application or registration, without the consent of Pledgee, except to the extent that the trademark covered by such application or registration has no economic value.

11. Enforcement. Upon Pledgor's failure to do so after Pledgee's demand, or upon an Event of Default, Pledgee shall have the right but shall in no way be obligated to bring suit in its own name to enforce the Trademarks and Future Trademarks and any license thereunder, in which event Pledgor shall at the request of Pledgee do any and all lawful acts and execute any and all proper documents required by Pledgee in aid of such enforcement and Pledgor shall promptly, upon demand, reimburse and indemnify Pledgee or its agents for all costs and expenses incurred by Pledgee in the exercise of its rights under this Section 11.

12. Release. At such time as Pledgor shall completely satisfy all of the Obligations, and the Loan Documents have been terminated, other than upon enforcement of Pledgee's remedies under the Loan Documents after an Event of Default, Pledgee will execute and deliver to Pledgor a release or other instrument as may be necessary or proper to release Pledgor's lien in the Collateral, subject to any dispositions thereof which may have been made by Pledgee pursuant hereto.

13. Severability. If any clause or provision of this Agreement shall be held invalid or unenforceable, in whole or in part, in any jurisdiction, such invalidity or unenforceability shall attach only to such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such or any other clause or provision in any other jurisdiction.

14. Notices. All notices, requests and demands to or upon Pledgor or Pledgee under this Agreement shall be given in the manner prescribed by the Loan Documents.

15. Governing Law. This Agreement shall be governed by and construed, applied, and enforced in accordance with the federal laws of the United States of America applicable to trademarks and the laws of the State of California, except that no doctrine of choice of law shall be used to apply the laws of any other State or jurisdiction. The parties agree that all actions or proceedings arising in connection with this Agreement shall be tried and litigated only in the state and federal courts located in the County of Los Angeles, State of California, whichever Pledgee may elect (except that Pledgee shall have the right to bring any action or proceeding against Pledgor or its property in the courts of any other jurisdiction which Pledgee deems necessary or appropriate in order to realize on the Collateral or to otherwise enforce its rights against Pledgor or its property). PLEDGOR AND PLEDGEE EACH WAIVES THE RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION ARISING UNDER THIS AGREEMENT, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND ANY RIGHT EITHER MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS, LACK OF PERSONAL JURISDICTION, OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 15.

16. Counterparts, etc. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of this Agreement by telefacsimile shall have the same force and effect as the delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by telefacsimile shall also deliver an original executed counterpart, but the failure to do so shall not affect the validity, enforceability or binding effect of this Agreement.

17. Supplement. This Agreement is a supplement to, and is hereby incorporated into, the Loan Documents and made a part thereof.

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the date first above written.

PLEDGOR

APPLAUSE, LLC,
a Delaware limited liability company

By: 
Name: DOUG FINNEY
Title: CEO

PLEDGEE

WELLS FARGO BUSINESS CREDIT, INC.,
a Minnesota corporation

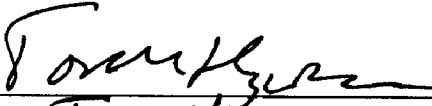

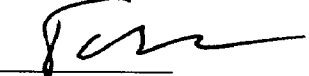
By: 
Name: TOR HILBORN
Title: AVP

EXHIBIT A

List of Trademarks

Attached hereto is a list of trademark applications and registrations owned by Pledgor. The parties acknowledge that Pledgor has and will have a trademark in every designation of origin, including character names, slogans and packaging trade dress, and that it would be unduly burdensome to attempt to list every item in which Pledgor has a trademark or require Pledgor to obtain trademark registrations for all such items in every country or jurisdiction where Pledgor does business. Pledgor will register trademarks in items it deems material to its business in those countries and jurisdictions it deems material to its business, and will add such trademark applications and registrations to this Exhibit A. If Pledgee wishes Pledgor to register its trademark in any particular item in any particular country or jurisdiction, Pledgor will do so upon written notice from Pledgee. In the event of a conflict between the provisions set forth in this Exhibit A and the Collateral Assignment of Trademarks (Security Agreement), the terms of this Exhibit A shall prevail.

Initials: 


U.S. Trademarks - Tracking

1	2003-TMK-USA-1	Appaws	word mark	United States	76/535128 (serial #)	TBD	8/7/03: New application filed with USPTO
2	1981-TMK-USA-1	applause	word mark	United States	1223558	TBD	1/10/03: Application for Renewal & Section 8 Declaration (Manatt)
3	1983-TMK-USA-1	Applause & hand device	Applause Name and Hand Device	United States	1251348	11/25/2013	renewed for 10 years (Manatt)
4	1983-TMK-USA-2	Avanti	Avanti in English means "go forth"	United States	1339288	6/4/2005	renewal & Section 8 due (Applause)
5	1988-TMK-USA-1	Dakin (bear on triangle)		United States	1533375	4/4/2009	renewal & Section 8 due (Dakin)
6	1988-TMK-USA-2	Dakin (w/ vertical lines)		United States	1531015	3/21/2009	renewal & Section 8 due (Dakin)
7	1973-TMK-USA-2	Dream Pets	word mark	United States	0996868	10/29/2004	renewal & Section 8 due (Dakin)
8	1983-TMK-USA-8	Elegante by Dakin	words in a design	United States	1296550	9/18/2004	renewal & Section 8 due (Dakin)
9	1982-TMK-USA-1	Everyone Loves to Get Applause	Service Mark	United States	1230618	9/2/2013	renewed for 10 years (Manatt)
10	1981-TMK-USA-2	Hand Device	Miscellaneous design (design only)	United States	1190130	2/16/2012	renewed for 10 years (Manatt)
11	1973-TMK-USA-1	Nature Puppets	word mark & design	United States	1002900	1/28/2005	renewal & Section 8 due (Dakin)
12	2003-TMK-USA-2	Velvet Teddy Bear	word mark	United States	76/519542 (serial #)	TBD	6/4/03: New application filed with USPTO